ADJOURNMENT MOTION.

PRESIDENT: Before we proceed to the next item in the agenda, I have again, for the third time, to bring to the notice of the House the fact that, this morning, I have received notice of another motion for the adjournment of the House. The motion reads thus:

> ".....to discuss a definite matter of urgent public importance, namely, that owing to the recent drought, the Pachipara Reservoir failed to supply water and so to guard against future failure at least immediate steps should be taken to supplement the Reservoir as proposed by Horseley."

As the Honourable members are aware, this question of drought, its extent, its reasons and its consequences, and the various measures which the Honourable members consider necessary to be adopted to overcome the present critical situation, were all thoroughly discussed, completely and exhaustively, yesterday, on a similar adjournment motion on the floor of this House. It will therefore serve no useful purpose if I should allow the same discussion again and thereby occupy, perhaps, unnecessarily, the time of the House. The Pachipara Dam, the consequences to the ryots in Nanjinad as a result of its failure and the measures that could be adopted to give relief to those people, were all discussed yesterday here. Therefore, I think, this adjournment motion will be absolutely redundant. I rule it out of order.

LEGISLATIVE BUSINESS.

THE TRAVANCORE COMPANIES REGULATION AMENDMENT BILL.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): Sir, I rise to present the Report of the Select Committee on the Travancore Companies Regulation Amendment Bill, and beg to move that the Bill, as reported, be taken into consideration.

MR. R. M. STATHAM (*Director of Public Instruction*): I second it.

The motion was put to vote and carried.

Clause 1.

The question that clause 1 do form part of the Bill was put to vote and carried.

The clause was added to the Bill.

Clause 2.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): Sir, I beg to move the following amendment:

> "Add the words '*not being a private company*' after 'company' and before 'required' in line 1 of the proposed section 141 A (1)."

The House will remember that, when the Bill was introduced it contained the expression "not being a private company" after "company" and before "required". I dare say that the expression was deliberately introduced there with the idea of excluding private companies from the operations of the Bill. The exclusion of private companies was a principle of the Bill. The Select Committee has omitted these words, and they justify it by saying that, in the Bill as they have revised, they do not insist on the production of all the documents in the possession of companies before the Inspecting Officer for

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inspection and audit but only such of the documents as are required under the Regulation to be kept by them. But this is not a sufficient ground, I submit, on which they can interfere with one of the main principles of the Bill. Sir, the original Bill, as it was introduced, was not intended to apply to private companies. As such, the Select Committee is not entitled to go beyond the purview of the Bill and to extend its operation to private companies also.

It is a very large power that this provision, in clause 2, seeks to confer on the Government, and it is liable to be used by the Inspecting officer to the detriment of companies.

MR. K. KUNJUKRISHNA PILLAI (*Quilon I*) : Does the member contend that the principle of the Bill that was accepted by the House when it was introduced was that it should not extend to private companies?

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): Yes; that is clear from the wording of the original Bill. The expression that I now seek to add again, found a place in the original Bill. So far as I can see that was a principle accepted by the House. The Select Committee has included private companies also under the operation of this section. That is why I said that the Select Committee had gone beyond the purview of the original Bill in inlcluding the private companies also under its operation.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): Where is it stated that the original Bill was not intended to extend to private companies?

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : In the original Bill itself.

MR. A. S. DAMODARAN ASAN (*Mavelikara*) : Has any such statement been made in the Statement of Objects and Reasons?

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): That was the original wording of the section, and I dare say it was deliberately worded like that. It was done for very good reasons.

On the merits also, I submit it is neither expedient nor desirable that Government should take power to interfere in this manner with private companies. The very nature of the constitution of private companies demands that Government should not interfere with their management. Sir, I move my amendment.

MR A. EASWARA PILLAI (*Kalkulam II*); I support the amendment moved by Mr. Karayalar.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): Sir, I have to oppose this amendment. It is true that the original Bill excluded private companies from the operation of the provision. But it may be mentioned that under the Bill as introduced, every document, say, every book, account or other record kept by a company was made subject to inspection and audit. Under the Bill as revised, it will be noted, it is not every document, book, or account that is subject to inspection. The

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only papers subject to inspection under the revised provision are such books and accounts as are required by the Regulation and Rules to be kept by a company. Even private companies have to keep some documents under the Regulation. Now if that class of documents is considered by the Legislature to compel even private companies to keep them, why is it objectionable to lay down that they should be open to inspection ? This is the view that the Select Committee took and if I may say so, that view appears to be right.

The motion was put to vote and lost.

MR. S CHATTANATHA KARAYALAR (*Shencotta*) : Sir. I beg to move the following amendment :

"Omit the words 'and audit' in line 3 of the proposed section 141 A (1) of the Travancore Companies Regulation Amendment Bill"

Sir, my object in moving this amendment is not to take away the power of audit by Government. My point is that there is a special section dealing with audit of accounts of companies coming later, *viz.*, section 150 A. That section deals with the appointment of auditors by Government. I cannot see why Government should take power to audit the accounts of companies and confer it on the Registrar, when they have such power under a special section. Then there is also another difficulty. If the power of audit is conferred upon the Registrar it would lead to the possibility of two audit reports being made, one by the Registrar and the other by the auditor. And these reports may possibly be conflicting. To avoid this difficulty also I propose this amendment. Sir, I move my amendment.

MR. A. EASWARA PILLAI (*Kalkulam II*) : I support the amendment of Mr. Karayalar.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : Sir, I oppose the amendment. It will be seen from the previous section that the books and accounts are expected to be inspected. Audit is but an inspection of the accounts.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : Is there no possibility of two audit reports ?

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : The Registrar makes the audit for his own information and makes a report to Government.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : Does the Registrar supply the shareholders with his report ?

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : No; not automatically.

MR. P. CHIDAMBARAM PILLAI (*Commerce and Industry, South*) : What about the public interested in private companies ?

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : Does that question arise in this amendment ?

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MR P. CHIDAMBARAM PILLAI (*Commerce and Industry, South*): Does the Registrar audit the accounts of private companies?

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*)) If the accounts are such as are required by law to be kept.

The motion was put to the vote of the House and was lost.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): Sir, the next amendment I have to move is only consequential to the previous two amendments which were lost and so I do not wish to move the amendment.

PRESIDENT: Quite right.

The question, therefore, I have to put is whether clause 2 forms part of the Bill.

The motion was put to the vote of the House and carried.

The clause was added to the Bill.

Clause 3.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): Sir, I rise to move the following amendment to claluse 3 of the Bill:

"*Delete sub-section (1) of the Proposed section 142 and retain sub-section (2) as section 142, omitting the words "Without prejudice to the generality of the foregoing power"* from the said sub-section (2).

Sir, section 142 confers upon Government the power of investigating the affairs of a company. This is a very wide and general power which the Government want to take. I do not propose by my amendment to take away absolutely the power conferred upon the Government. Sir, sub-section (ii) of this section deals with the circumstances under which Government may order the investigation of the affairs of a company on the initiative of the shareholders Government may move on the application of members holding not less than one-fifth of the shares issued or on a report submitted by the Registrar under section 141, sub-section (5) or section 141 A (3). Government may also take action to investigate the affairs of a company on the report of an auditor under section 150 A. The power of investigating the affairs of a company should be exercised by Government only on the application of shareholders of the company. I cannot possibly conceive of a set of circumstances under which the Government will order the investigation of the affairs of a company other than those enumerated in sub-section 2 of section 142. Even if the Government want to take action to investigate the affairs of a company on their initative, they can do so on the report of the Registrar under section 141 or section 141 (A) or on the repor of the auditor under section 150A. Therefore, Sir, sub-section (i) of section 142 seems to me to be unnecessary. With regard to the latter part of my amendment, I submit that the words "Without prejudice to the generality of the foregoing power" have to be deleted from the said sub-section (2), if my amendment is accepted. Sir, I move the amendment.

MR. A. EASWARA PILLAI (*Kalkulam II*): I support the amendment of Mr. Karayalar.

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MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): Sir, I oppose this amendment and I may say, at the outset, that the provision sought by the amendment to be deleted is the life and soul of the Bill. If the amendment is accepted and the deletion made, what would be left is what is in the Regulation as it stands even now. I cannot therefore accept the amendment at all. Mr. Karayalar is right in saying that under certain circumstances Government can even under the amendment, order the investigation into the affairs of a company; those circumstances are laid down in sub-section (2). It will be noticed, however, that according to sub-section (2) Government can order investigation into the affairs of a company only if a specific proportion of the number of the shareholders makes an application for the purpose. Government can move in the matter only if certain individuals make the application. Government feel that any appreciable number of shareholders is not likely to combine together for the purpose or for protecting themselves otherwise and that some unconditional power must be reserved to Government to intervene whenever necessary. And Government want the power in the public interests, for there are many companies in Travancore. This power would not of course restrict the power of the shareholders to ask for investigation.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): May I know whether there is not such a power conferred upon Government under sub-section 4?

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): No; that, I think, is only on receipt of a report.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): My point is under sub-section 2, sub-clause 4, a new power is conferred on Government for investigation and report under section 141 A. There this new power is conferred upon Government.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): Literally speaking Mr. Karayalar is correct. But not substantially. If we want to confer power on Government to initiate investigation even without application from anybody in certain exceptional circumstances, there must be a specific clause for it. Ordinarily, no doubt, it is only on application or report that Government will act; but it is necessary that Government should have an unrestricted power for the Government to order investigation. That is the very reason for which the Bill was introduced.

MR. M. SIVATANU PILLAI (*Tovala*): May I know whether it would obviate the force of the section to reduce the number of applications to the last minimum?

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*): To some extent it may. But that is not sufficient. Suppose, in a case one single member alone comes forward and convinces the Government, saying also that he cannot get sufficient number of shareholders to join him.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): Cannot the members act on the report of the Registrar?

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MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : They may. The Registrar's inspection is limited and cannot go far enough as a matter of fact and will not meet all cases. I think, Sir, that the provision is a wholesome one and cannot be omitted.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : May I know whether the mere representation of one shareholder of the company is sufficient to move the Government to take action to order the investigation of the affairs of the company under this provision ?

PRESIDENT : It is impossible for a human being to consider the various views and to give a satisfactory reply to all of them. The Law Member had tried to explain the necessity for the retention of the provision. He has given the reason in a very free and frank manner. A number of questions were put. It is impossible for any human being to conceive of all possible contingencies and to make provision for them.

Moved and seconded that sub-section 1 of the proposed section should be deleted. I will put that first.

The amendment was put to the vote of the House and lost.

The question that clause 3 do form part of the Bill was put to the vote of the House and carried.

The clause was added to the Bill.

Clauses 4 and 5.

The question that clauses 4 and 5 do stand part of the Bill was then put and carried.

The clauses were added to the Bill.

Preamble.

The question that the Preamble do stand as part of the Bill was put and carried.

Title.

The question that the Title do stand part of the Bill was put and carried.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : Sir, before proceeding to the third reading of the Bill I have to move that in clause 1, sub-clause (1) the figure "1110" be substituted for "110".

MR. R. M. STATHAM (*Director of Public Instruction*): I second it.

PRESIDENT : The amendment moved by the Law Member is that in clause 1 sub-clause (1) the figure "110" shall be substituted by the figure "1110".

The amendment was put to the vote of the House and carried and the clause as amended was added to the Bill.

MR. KAYALAM PARAMESVARAN PILLAI (*Additional Head Sirkar Vakil*) : Sir, I beg to move that the Bill, as now amended, be finally passed.

MR. R. M. STATHAM (*Director of Public Instruction*) : I second it.

PRESIDENT : Moved and seconded that the Bill will be passed into law.

The Bill as amended was put to the vote of the House and carried.

The Bill was passed.

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